STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Commonwealth Edison Company,	:	
The Peoples Gas Light and Coke Company,	:	15-0403
North Shore Gas Company,	:	
Ameren Illinois Company	:	
d/b/a Ameren Illinois,	:	
Northern Illinois Gas Company	:	
d/b/a Nicor Gas Company	:	
Independent Evaluator's Evaluation Report on	:	
the Electric and Gas On-Bill Financing	:	
Programs Required by Section 16-111.7 and	:	
19-40 of the Public Utilities Act.	:	

BRIEF ON EXCEPTIONS OF THE CITIZENS UTILITY BOARD

Pursuant to Section 200.830 of the Rules of Practice of the Illinois Commerce Commission (the "Commission"), 83 Ill. Admin. Code §200.830, and the schedule established by the Administrative Law Judge ("ALJ"), the Citizens Utility Board ("CUB") hereby submits this Brief on Exceptions in the above-captioned matter. CUB's Brief on Exceptions responds to the ALJ's Proposed Order (the "Proposed Order" or "PO") dated April 22, 2016, and in particular, takes exception to two conclusions of the Proposed Order: (1) the Proposed Order's rejection of the suggestion to lower the credit score for the On Bill Financing program, PO at 10; (2) the Proposed Order's conclusion that the Commission report to the General Assembly should not include a request for legislative action around the tie to the meter concept, PO at 17.

Exception #1: The ICC should lower the credit score threshold for participating in the OBF program.

Two basic concepts around expanding the participation in the On Bill Financing ("OBF") were at issue in this docket: either decreasing the credit score threshold or using bill payment history as a proxy for eligibility. The Proposed Order recommends the Commission decline to use either criterion to expand eligibility. PO at 10.

The Proposed Order's recommendation should be reversed. The idea behind OBF was for the program to make it possible for people who cannot afford the entire investment in energy efficiency to finance the investment at a low interest rate and thus make an investment in energy efficiency affordable to them. The Evaluation performed by Cadmus which sparked this Docket found that the denial rate of program applicants was 51%. Cadmus at 2. CUB noted that as of May 2014 the default rate was under .16%, a very low default rate by any measure. Cadmus at 6. In denying expanding eligibility criteria through lowering the credit score, which is the method CUB supports for expanding eligibility, the PO cites utility arguments around "increasing uncollectibles" and customers whose bills "could become unaffordable with an OBF charge on them." PO at 10. The PO does note that the Cadmus report used in this proceeding reflects program experience only through May, 2014, and that as a result, there are two additional years of data which could be used to review benefits and risks of changing the credit threshold. *Id.* CUB understands the Commission to suggest that it would want to make sure that the most recent data is reviewed before any change is ordered. While CUB believes the record in this proceeding supports a change in the credit score threshold, the Commission could condition any such change on a review of the most recent data available in order to ensure that there is no change in the default rates in the OBF program. To that end, the Commission could ask the utilities to provide their most recent data before directing them to lower the credit score threshold.

As a result, CUB respectfully requests the Proposed Order at page 10 be revised to read as follows:

5. Commission Analysis and Conclusion

~~The Commission declines to take action to lower the credit score threshold for participation in the OBF Program at this time. As several of the Utilities have noted, reducing the minimum credit score imposes a risk of greater defaults, which would be passed on to other customers through their respective uncollectible riders. Moreover, reducing the minimum credit score could increase the risk that customers have vital utility services disconnected because of an inability to pay a bill that includes payments toward an OBF charge. Before lowering the credit score threshold the Commission would need data allowing it to evaluate the benefits and risks of such a change. The ER only reflects the number of loans in default as of May 2014. OBF Programs have had nearly two more years of experience that should be taken into account before making any modifications to the eligibility criteria.~~

~~Similarly, the Commission agrees with the Utilities and the AG that the ER does not provide any evidence to support the assertion that bill payment history is an accurate predictor of default behavior in OBF Programs. Moreover, missing from the ER is any analysis of what would constitute an acceptable bill payment history, or the implementation and operating processes and related costs that would accompany the use of bill payment history. The Commission declines to recommend in its report that bill payment history be used as an eligibility criterion in the absence of data demonstrating its efficacy. The Commission will be interested to learn of Ameren Illinois' experience in connection with its bill payment underwriting pilot program. The Commission is aware that the conclusions to be drawn from a single pilot program may not have statewide applicability because each Utility's service area is unique.~~

The Commission agrees that the OBF program should actually fulfill its intended premise, to allow those who cannot afford the total initial investment in energy efficiency improvements a method of doing so through the OBF program. The Commission finds that a 51% rejection rate is evidence that the OBF program is not being fully utilized to help those that cannot afford energy efficiency investments otherwise. The Commission finds utility arguments around increasing uncollectibles unconvincing in light of the way OBF works; if a customer does not pay their utility service is disconnected, thus creating a very secure repayment process, much more so than a credit card. The Commission also is nonplussed by utility arguments around "bill affordability;" the energy efficiency investment would make the consumers' underlying bill more affordable, not less. The ER notes that reducing the credit score by "20 to even 40 points" would put Illinois OBF "within range of other financing programs across the country" and such a change "could decrease the denial rate by up to nine percentage points." The Commission does note though that the most recent default numbers are from May 2014 and believes that more current information would have value to ensuring that the default rate remains below 1.5%. To that end, the Commission directs the utilities to provide such information to the Commission within 90 days of this Order. If that information demonstrates the default rate remains lower than 1.5%, the Commission will order that the credit score eligibility criteria reduced by 40 points to a minimum credit threshold of 600 points.

Exception #2: The ICC report should include a recommendation for the General Assembly to consider tied-to-the-meter loans.

As CUB has noted before, the rental market remains a very difficult segment of housing for energy efficiency improvements. PO at 17. Split incentives between the tenant and landlord frustrate attempts to address the need. *Id.* An OBF program that attaches the loan to the meter surmounts the split incentive quagmire. There are numerous OBF programs throughout the country which attach the loan to the meter, including the South Carolina Electric Cooperative model mentioned in the Proposed Order. *Id.* While there may be unsettled legal issues at this time with doing so, CUB understood this report to include recommendations to the General Assembly for possible changes to the OBF program. As a result, CUB requests the Proposed Order be changed to include a suggestion that the General Assembly consider tied-to-the-meter loans based on the experience of other OBF programs.

The Proposed Order's conclusion at Page 17 should be modified to read as follows:

3. Commission Analysis and Conclusion

~~The Commission agrees with the Utilities that that tied-to-the-meter loans offer the potential for delay, expense, and confusion. The Commission also agrees with Ameren Illinois and ComEd that there is no legal basis to allow for the shifting of financial burdens or obligations to customers who did not incur the OBF obligation. The Commission will not recommend tied-to-the-meter loans in its report.~~

The Commission agrees that the Report the General Assembly should include a recommendation that the General Assembly consider amending the program to allow for tied to meter loans. The split incentives inherent in the rental market make such a change a necessity for improving the efficiency of the rental housing stock, whether that be single family or multifamily housing.

Dated: May 6, 2016

Respectfully submitted,

Kristin Munsch
Deputy Director
CITIZENS UTILITY BOARD
309 W. Washington, Suite 800
Chicago, IL 60606
(312) 263-4282
kmunsch@citizensutilityboard.org